

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6399

BILL NUMBER: SB 420

NOTE PREPARED: Jan 10, 2010

BILL AMENDED:

SUBJECT: PERF Vesting Period and Minimum Benefit.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill: (1) reduces from 10 to 8 the number of years of creditable service a member of the Public Employees' Retirement Fund (PERF) must earn to obtain vested status; and (2) reduces the minimum monthly retirement benefit for a PERF member from \$180 with 10 years of creditable service to \$144 with 8 years of creditable service.

Effective Date: July 1, 2010.

Explanation of State Expenditures: The following table shows the impact of changing the vesting period from 10 years to 8 years and adding a \$144 minimum benefit.

PERF	State	Political Subdivisions	Total
Increase in Unfunded Accrued Liability	\$3.36 M	\$6.13 M	\$9.49 M
Increase in Annual Cost	\$1.29 M	\$2.73 M	\$4.02 M
Increase in Annual Cost (as % of pay)	0.077%	0.089%	0.085%

These provisions would also result in a decrease in fund status from 93.1% to 93.0%.

The funds affected are the state General Fund (55%), or \$709,500, and various dedicated funds (45%), or \$580,500. The state General Fund contributes about 55% and various dedicated funds contribute approximately 45% of the personal services expenditures of the state budget.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures* above.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local units with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status (Ratio)- The ratio of the assets of a pension plan to its liabilities.

Unfunded Actuarial Liability- The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.